



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0301530

THE APPLICATION OF DIAMONDBACK E&P LLC FOR AN EXCEPTION TO STATEWIDE RULE 32 FOR FLARE GAS PERMIT FOR THE UL II 14 LEASE TANK BATTERY, SPRABERRY (TREND AREA) FIELD IN ANDREWS COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: October 31, 2016

CONFERENCE DATE: March 21, 2017

APPEARANCES: REPRESENTING:

APPLICANT:

Jamie Nielson
Jeff Ryan
Chris Beldsoe

Diamondback E&P LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Diamondback E&P LLC ("DEP") seeks an exception to Statewide Rule 32 (16, Tex. Admin. Code §3.32) to flare gas from the UL II 14 Lease Tank Battery (the "Subject Lease"), Spraberry (Trend Area) Field, Andrews County, Texas. All offset operators in the subject field were notified of the hearing. There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the exception to Statewide 32.

DISCUSSION OF THE EVIDENCE

Statewide Rule 32 governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. Specifically, Statewide Rule 32(h) provides that an exception to flare natural gas in volumes greater than 50 MCF per day may be granted administratively for a period up to 180 days. Beyond that, Statewide Rule 32(h) provides that exceptions shall be granted only in a final order signed by the

Commission. DEP is requesting an exception to Statewide 32 to flare casinghead gas for an additional period of time.

DEP received administrative authority (Permit No. 25552) to flare up to 2,600 thousand cubic feet of gas per day ("MCFD") from the Subject Lease from January 1, 2016 through March 31, 2016, and to flare up to 90 MCFD from April 1, 2016 through June 30, 2016. DEP's request for a hearing to increase the flaring authority to 120 MCFD for two years was received on August 23, 2016, about six weeks after their permit had expired. DEP explained they were performing due diligence for potential acquisitions, and acknowledged they did not timely file for the necessary flaring exception.

Because their permit had expired, DEP reported they shut in wells from August 23, 2016 through August 31, 2016. Because of their lease terms and to prevent further loss of revenue, DEP resumed production from September 1, 2016 until October 15, 2016.

Evidence presented showed that for the month of July 2016, the gas volume was 2,739 MCF and for August 2016, the volume was 1,663 MCF. DEP stated that the flare volumes during September 2016 were kept near 50 MCFD, and gas flared in October 2016 averaged 22 MCFD. DEP reported the Subject Lease was connected to a pipeline for sales on October 16, 2016, and they no longer flare from the Subject Lease.

Therefore, DEP changed their original request, and now seeks the exception to SWR 32 for a total of 6,151 MCF from July 1, 2016 through October 15, 2016, when the pipeline connection was complete. By letter dated February 15, 2017, DEP indicated recommendation for an exception to SWR 32 for a total of 3,498 MCF of casinghead gas flared from September 1, 2016 through October 15, 2016, would not be considered adverse. The Examiners recommend approval of an exception to SWR 32 for total of 3,498 MCF of casinghead gas flared from September 1, 2016 through October 15, 2016.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. There were no protests to the application.
2. DEP received administrative authority (Permit No. 25552) to flare up to 2,600 MCFD for 90 days from January 1, 2016 through March 31, 2016, and to flare up to 90 MCFD from April 1, 2016 through June 30, 2016.
3. The request for a hearing to increase the flaring authority to 120 MCFD for two years was received on August 23, 2016, about six weeks after DEP's permit had expired.
4. The UL II 14 Lease Tank Battery was connected to a pipeline for sales on October 16, 2016, and flaring no longer occurs from the lease.

5. DEP changed their original request, and now seeks the exception to SWR 32 for a total of 6,151 MCF from July 1, 2016 through October 15, 2016.
6. Recommendation for an exception to SWR 32 for a total of 3,498 MCF of casinghead gas flared from September 1, 2016 through October 15, 2016 would not be considered adverse by DEP.

CONCLUSIONS OF LAW

1. All things have occurred and been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051
2. Proper notice of this hearing was given to all parties entitled to notice at least 10 days prior to the hearing. 16 Tex. Admin. Code § 3.32
3. The requested exception to flare casinghead gas meets the requirements of Statewide Rule 32. 16 Tex. Admin. Code § 3.32(h)

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant an exception to Statewide Rule 32 for the UL II 14 Lease Tank Battery in Andrews County, Texas.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Ryan Lammert
Administrative Law Judge